

separate property under paragraph (5) shall be taken into account by discounting (using the Federal mid-term rate determined under section 1274(d) as of the time such cost is incurred) such cost to its value as of the date the property is placed in service. The taxpayer may elect with respect to any property to have the preceding sentence not apply to such property.

"(3) EXCEPTION FROM LOOK-BACK METHOD.—

Paragraph

(1)(D) shall not apply with respect to any property which had a cost basis of \$100,000 or less.

"(4) RECOMPUTATION YEAR.—For purposes of this sub-

section, except as provided in regulations, the term

Recomputa-

tion year means, with respect to any property,

the 3d and the 10th taxable years beginning after the

taxable year in which the property was placed in service, unless

the actual income earned in connection with the property for

the period before the close of such 3d or 10th taxable

year is within 10 percent of the income earned in connection with

the property for such period which was taken into account

under paragraph A).

"(5) SPECIAL RULES.—

"(A) CERTAIN COSTS TREATED AS SEPARATE

PROPERTY.—

For purposes of this subsection, the following costs shall

be treated as separate properties:

"(i) Any costs incurred with respect to

any property after the 10th taxable year beginning after

the taxable

year in which the property was placed in service.

"(ii) Any costs incurred after the

property is placed

in service and before the close of such

10th taxable

year if such costs are significant and give

rise to a

significant increase in the income from the

property which was not included in the estimated

income from

the property.

"(B) SYNDICATION INCOME FROM TELEVISION

SERIES.—

In the case of property which is 1 or more episodes in

a television series, income from syndicating

such series

shall not be required to be taken into account

under this

subsection before the earlier of—

"(i) the 4th taxable year beginning after the date the first episode in such series is placed in service, or

"(ii) the earliest taxable year in which the taxpayer has an arrangement relating to the future syndication of such series.

"(C) SPECIAL RULES FOR FINANCIAL EXPLOITATION OF CHARACTERS. ETC.—For purposes of this subsection, in the case of television and motion picture films, the income from the property shall include income from the exploitation of characters, designs, scripts, scores, and other incidental income associated with such films, but only to the extent that such income is earned in connection with the ultimate use of such items by, or the ultimate sale of merchandise to, persons who are not related persons (within the meaning of section 267(b)) to the taxpayer.

"(D) COLLECTION OF INTEREST.—For purposes of subtitle F (other than sections 6654 and 6655), any interest required to be paid by the taxpayer under paragraph (1)